"Let's Give Electric Consumers 'Power to Choose'"

by Representative
Thomas J. Bliley, Jr.,

Two weeks ago. I created quite a stir when, al a speech to the Natural Gas Roundtable Luncheon, I described "Power lo Choose" — giving residential consumers the right to choose their electric utility providers — as a "singular priority" for me in the 105th Congress.

Earlier this year, I reminded the Roundtable, "or House Commerce Committee spearheaded passage of the historic Telecommunications Act of 1996, legislation which in one stroke broke up bigger monopolies in local telephone service than Theodore Roosevelt ever dreamed of.

It's now time lo do the same thing in electric power that we've already done in phone service: break up the monop- "lies, giving captive ratepayers a choice of competing electric service providers -"power," as it were, "to choose."

The result will be improved. more productive service at lower prices just as has occurred with competition i" long distance telephone service (and. soon, in cable and local telephone markets as well).

How much lower rates? A recent study by Clemson University economists Michael Maloney and Robert McCormick estimates that Power lo Choose will result in an average household rate reduction of $216 a year.

$216 is a significant sum lo working families, an amount equal to two weeks worth of groceries, or two months of diapers br a new baby. And br those living on a fixed income, of course, the savings will be especially welcome.

But savings are only part of the story. Studies indicate that Power to Choose will free up between 13 to 25 percent of currently unused additional electrical power — all without adding a single new generator or transmission wire. That's because the capital stock of electricity generation and transmission in the United States today is considerably under used.

Most Americans aren't aware that competition in residential electricity markets is even technically feasible. Much like the days before the AT&T breakup, we've become so accustomed to dealing with PEPCO, BG&E, or Virginia Power, respectively, that most of us can't even imagine being able to choose among competing electricity providers.

Yet residential competition in electric service is feasible, and it's happening today, although only in a few small, isolated markets.

In New Hampshire, for instance, an experimental program allows competiti"" in 3 percent of the residential electric market. Consumers who were previously "captive ratepayers" of a single regulated monopoly now have more than a dozen electric companies to choose from, and those companies are competing vigorously for consumers' dollars. with offers of a month's free power, a $50 gift certificate, and similar money-saving incentives.

Moreover, environmentally-conscious New Hampshire consumers are able lo demand that their electrical providers rely on the most environmentally-friendly, renewable sources possible. They're willing to pay a premium for safer, cleaner sources. Until now, however, they've "ever had the power to do so.

These are just some of the benefits of Power to Choose, hut they'll-only if competition — fair competition, involving all classes of competitors, including Independent Power Producers and other new entrants — is truly allowed to exist. Those benefits will never take place so long as some classes of entrants are prohibited from reaching retail consumers, or retail consumers are prohibited by law from purchasing electricity from providers other than their local monopoly.

One of the most difficult questions for Congress to address in the coming debate on Power to Choose will be defining the proper roles of the federal and state governments in establishing competitive rules.

Some have advanced the notion that allowing interstate competition in electric utility markets is solely a matter of Slate jurisdiction. "The Stales are already moving toward competition," they say. "The federal government should stay out of the process."

For the record, I am a conservative, the former Mayor of a proud Southern City, Richmond, Virginia. I stand second to none in my respect for the independent role of the Stales.

But I am also Chairman of the House Commerce Committee, the first Committee ever created in Congress, the only Committee with a clear mandate in the Articles of the Constitution itself. Our Commerce Committee owes its existence to the framers' recognition that no State can be allowed lo inhibit the flow of Interstate Commerce.

Furthermore. I'm not hlind. Our experience with competition in natural gas. I submit, is "Exhibit A" in the case for some measure of federal legislative action.

In 1992, the Federal Energy Regulatory Commission completed its open access rule makings for gas pipelines, which effectively guaranteed local distribution companies and high-volume consumers the power to purchase unbundled gas and pipeline services. Henceforth, they could negotiate directly with natural gas providers, purchasing the gas and services they needed, competitively, and without having to buy more services than they wanted.

At the same time, FERC urged the States to do the same thing on a local level, but most of the States didn't follow through. In all but a handful of States, retail consumers still must purchase gas and distribution services as a bundled unit. As a result, 12 years after the beginning of open access transportation on interstate natural gas pipelines, 4 years after the FERC open access rule making, the promise of unbundled, competitive gas services is still unfulfilled for the bulk of residential and small business purchasers of natural gas.

Merely "urging" the States to adopt Power to Choose simply won't do the trick, any more than it did with natural gas. The States should be given the widest latitude in determining how to deliver Power to Choose, but not whether lo do so; that is clearly a Federal responsibility, if residential competition is ever to become a reality for most American families.

I believe that Congress should enact legislation to encourage fair and robust competition in the electric industry. As a follower of the free market, I know that consumers will be the biggest winners if they do.

The Washington Times, September 17, 1996

"POWER TO THE PEOPLE — And Their Schools And Colleges, Too!"

by U.S. Representative
Thomas J. Bliley, Jr.
Chairman, House Commerce Committee

Giving consumers the power to choose their own electric utility companies really matters — and not just to the army of Washington lawyers and lobbyists for whom "Power to Choose' has become a "Lawyers and Lobbyists Full Employment Act."

It matters, indeed, to children all across the nation for whom "Power to Choose" could mean more and better textbooks, state-of-the-art computers, or more teacher's aides and special class tutors.

Precious tax dollars that could be used for children's education are instead being frittered away to the electric utility monopolies, part of the "monopoly tax" we all Pay because electricity remains a "take-it-or-leave-it" proposition.

Administrators for school districts in Long Island's Suffolk County, for instance, have calculated that by forming a consortium to purchase low-cost electric power, they could save taxpayers $9 million off the $30 million they now pay to the local Long Island Lighting Company monopoly — a reduction of 30 percent. Two years later, however, the consortium remains unapproved, still awaiting the edict of the hidebound New York State Public Service Commission.

Altogether, the delay by New York's regulators has cost Long Island taxpayers $18 million — $9 million a year for each of the two years the would-be purchasing consortium has awaited State approval.

Suffolk County, while highly populated, is just 1 of 62 counties in New York Stale. Imagine the savings that could be realized all across the nation if all schools were given the freedom to buy electric power at low, competitive rates.

According to the Baton Rouge Business Report, Louisiana Stale University alone spent $8.5 million last year on electricity — more than it spent on libraries, $2.5 million more than it spent on scholarships. If competition reduced LSU's energy bill just by 15 percent, the savings would be enough to educate another 960 undergraduates, tuition free — and many studies expect a 15 percent savings to be on the low side.

School districts and colleges, however, are just at the tip of the iceberg. Consumer choice in electricity would make a big difference in the quality of life of senior citizens like Gerald and Paula Zeigler, a retired couple in Attica, Ohio. They're so hard-pressed to pay their $90 monthly electric bill, Mrs. Zeigler told the Columbus Dispatch, that she has to limit the amount of laundry she washes.

The Zeiglers estimate that if they could switch from Toledo Edison to Ohio Power, they'd cut their power bills by as much as 25 percent — a savings of $22 a month, significant money to folks on fixed incomes. Nonetheless, Slate law forbids it --and like the school districts on Long Island, the Zeiglers are bound to their local electric company not by the bonds of affinity, but instead by government red tape!

It's high time we pull the plug on the local electric monopolies and give consumers the freedom to choose their own electric utility companies.

Independent studies confirm that doing so will give consumers substantial savings in the range of $30 off the average monthly power bill.

A joint study by leading scholars from the Brookings Institution and George Mason University examined deregulation of natural gas, telecommunications, airline, trucking and railroad industries, and concluded that, in each case, competition led to lower prices and improved, more reliable ser- "Ice.

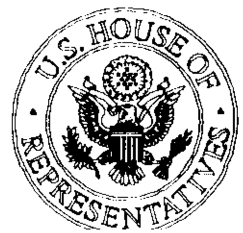
In long distance telephone service, the Brookings-George Mason Study found, rates declined by as much as 47 *percent in* the years of 1984 to 1994, and in both natural gas and trucking, prices shot down by more than half in the 10 years following deregulation.

What's more important, the study confirms that in each instance, product safety and reliability were improved. And consumers noticed a big difference when they got their lower bills.

A second study by The Heritage Foundation verifies earlier findings that predict an average household savings from electrical 'Power to Choose" in the neighborhood of $30 per month.

Taken together, there studies only confirm what we already know -that replacing monopolies with competition lower prices, improves customer-oriented service, and enhances product reliability. It's a phenomenon as basic as the free market itself, one that's well-known to Long Island school administrators and Ohio retirees alike.

Hopefully, even Washington policy-makers will catch on as well.



The Washington Times, February 4,1997

Use lessons of telecom

By Rep. Thomas J. Bliley

Two years ago, I assumed the chair of the House Commerce Committee facing a daunting task, one that had stymied my highly skilled predecessors for almost as long as I'd been in Congress-enactment of telecommunications reform to give consumers the freedom to choose their own local telephone and cable companies.

The lessons we learned in that successful effort should serve us well as we now engage in a much tougherjob, that ofbringing consumerchoice to the electric utility industry.

For upwards of 14 years, telecommunications reform had been stopped dead in its tracks by a gridlock of special interests. In one of those tights that manage to fascinate folks inside the Washington Beltway, the "long distance" companies (AT&T, MCI and Sprint) and their rival local monopolies (the so-called "Baby Bells") had hit a perennial impasse over when, and under what circumstances, they would be allowed to compete in one another's business.

As I often said back then, "Everybody's for competition, so long as they get to hold on to their own advantages." It wasn't far from the truth.

We managed to break the logjam by keeping our eyes on a single, simple goal. I told Bell Atlantic's CEO, Ray Smith, that within a concise, defined period of time, I wanted to lx able to pick up my home telephone in Richmond, dial Norfolk, and have a choice of providers for the first time in my life-real, facilities-based competition in the local telephone loop.

If we achieved that goal, I believed, rates would go down, service would improve, and the consumer — the ones really in charge in Washington — would lx well-served.

We stuck to that goal, throughout the legislative process. It was a formidable task, hut, thanks to the hard work of hundreds of individuals, we were able to achieve victory.

We have a similar objective in mind right now as we tackle the biggest monopoly ever — the $200 billion annual monopoly in electric utility service.

Just like in telecommunications reform, my goal here is a simple one: I want to ensure that within a concise, definite period of time, all classes of electric consumers will have a choice of providers when they *Nm on the* light switch.

Studies show that if we can achieve that goal, we can cut the average family's electric bill by anywhere from 15 to 43 percent, a savings of about $30 a month for the average household. or $360 a year.

To achieve our goal, some public education is in order — but lucky for us, it's not a very hard sell. Indeed, once people learn they don't have to be captives to their power companies any more, they're pretty easy to convince.

Folks today are about where we were in the years before Judge Greene's decree breaking up the AT&T monopoly: Most of us are so accustomed to dealing with our local power monopoly that we can't even envision being given a choice. Indeed, I doubt most Americans would even realize that electrical 'Power to Choose" is even technically feasible.

Not only is consumer choice in electricity possible, it's happening, right now-albeit in just a handful of experimental communities. Utilities will soon begin competing"" a wider scale in California and a few other states, but even then, only a relative few of us will be able to take advantage of the lower costs and improved service that always flows from competition.

In New Hampshire and rural Illinois, for instance, a tiny number of consumers are finding that, given a choice of electric providers, savings can be significant — about 15 to 20 percent, even after discounting the additional charges the consumers must pay for use of their old utility's wires and meters.

I'm so impressed with our progress so far, in fact, that I am reassessing my earlier plans to use 1997 merely as a 'building" year, a time to gain public support for the principle of consumer choice.

Remember: It's important that we keep our eyes on that one. single, solitary goal — consumer choice in electric utilities within a concise, fixed period of time.

Rep. Bliley, a Republican from Virginia, is chairman of the House Commerce Committee.

The Hill, February 5, 1997